

**PROVISIONS FOR SUPPLEMENTAL SECURITY
INCOME AND OTHER PROVISIONS**

**HEARING BEFORE THE
COMMITTEE ON WAYS AND MEANS**

SUBCOMMITTEE ON HUMAN RESOURCES

U.S. HOUSE OF REPRESENTATIVES

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Madame Chairman Johnson and members of the Subcommittee, thank you for the opportunity to discuss the draft House Resolution entitled *SSI Fraud Prevention Act of 1999*.

The Supplemental Security Income (SSI) program has proven to be an invaluable resource to those who need it most. However, over time, the program has grown significantly more difficult to administer, and the complex web of SSI eligibility rules has created opportunities for fraud, waste, and abuse. Even before the General Accounting Office (GAO) added the SSI program to the high-risk list, the Office of the Inspector General (OIG) began working with the Social Security Administration (SSA), GAO, and this Subcommittee to help reduce the program's exposure to fraud, waste, and abuse. To that end, we have issued a number of audit, evaluation, and management advisory reports in the SSI area.

Several of our recommendations from these reports were adopted in SSA's comprehensive October 1998 report entitled *Management of the Supplemental Security Income Program: Today and in the Future*. Other recommendations, however, require amendment of the Social Security Act for full implementation. Therefore, we are extremely pleased that this Subcommittee has expressed an interest in many of our SSI-related recommendations. I applaud the Subcommittee for developing a draft Bill that addresses the problems associated with administering this program.

Our work has indicated that the SSI program is susceptible to fraud from the following sources: representative payees who improperly collect benefits on the records of individuals who are deceased, prisoners who improperly collect benefits, individuals who transfer valuable assets to become eligible for SSI benefits, individuals who provide false residency information, and

third-party facilitators who commit fraud involving SSI eligibility determinations. I would like to briefly discuss each of these areas.

Recovery of Overpayments From Representative Payees. A recent OIG evaluation found that representative payees received about \$41 million in overpayments. These payments were made after the death of the beneficiary they were representing. Recovery of these overpayments, some of which were obtained fraudulently, continues to be a significant and ongoing problem for SSA. When we completed our evaluation, SSA had recovered or accounted for \$13 million, leaving \$28 million uncollected or unaccounted for. Based on the results of our evaluation, SSA agreed to consider legislation that would hold the overpaid representative payees primarily liable for overpayments made after a beneficiary's death. Your draft Bill accomplishes this important objective, and we support it as a means of combating this type of fraud, waste, and abuse.

Recovery of Overpayments From Prisoners. In most circumstances, the Social Security Act prohibits the payment of benefits to prisoners under the Old-Age, Survivors, and Disability Insurance and SSI programs. We conducted an audit to determine whether SSA was effective in collecting overpayments from prisoners who were subject to such nonpayment provisions. Our audit found that payments to prisoners were not always detected, and SSA had only limited success in recovering overpayments made to these prisoners.

SSA implemented a new system (Prisoner Update Processing System) to control alerts resulting from prisoner data matches. Under this System, alerts are transmitted to field offices electronically, and, if the case is still pending after 120 days, it is sent to the respective Regional Office for follow-up.

Your draft Bill would allow more aggressive pursuit of such overpayments. Therefore, we fully support the prisoner and fugitive collection provision set forth in the draft Bill.

Transfer of Valuable Assets. We conducted an audit to determine whether individuals were transferring assets to become eligible for SSI benefits. Our audit revealed that (1) individuals were transferring assets within 3 years of applying for, or while receiving, benefits; (2) the value of assets transferred could have been a substantial resource for meeting beneficiary financial needs; and (3) assets were generally transferred to relatives, which kept the assets within the family. Our audit fully supports the need for legislative changes to prevent individuals from abusing the SSI program by disposing of valuable assets solely to receive SSI benefits.

False Residency Information. To receive SSI benefits, an individual must be a U.S. resident. SSA field office personnel were concerned that individuals were obtaining SSI benefits based on false statements regarding their residence. Because of this concern, we worked with SSA staff to conduct a series of residency verification projects. Our work resulted in the issuance of an informational report suggesting that individuals who provide false residency information on their initial applications for SSI benefits should be subject to criminal penalties and/or periods of ineligibility for SSI benefits.

Since SSI is a gateway program for Medicaid, Food Stamps, and other Federal and State assistance programs, the impact of individuals who are fraudulently receiving SSI benefits can be far-reaching. For that reason, we fully support the language in the draft Bill, which would institute a period of ineligibility for those SSI applicants or beneficiaries who defraud the program.

Third-Party Fraud. OIG, SSA, and a State Disability Determination Service (DDS) formed a cooperative team to identify potential vulnerabilities in the disability determination process. In December 1997, this team conducted a Special Joint Vulnerability Review of an extended family in a small Georgia town. There were 181 members of this family, which spanned 4 generations, receiving SSI benefits. The same medical provider conducted the consultative examinations (CE) for many of these family members.

Based on the results of this joint review, recommendations were made to

- monitor and disclose questionable medical reports and disqualified CE providers,
- provide more information in medical reports relating to applicant performance on psychological tests to detect malingering,
- modify the SSI information systems display to alert subsequent users of potential fraud or abuse, and
- emphasize rotating CE providers.

Because the SSI program is especially vulnerable to disability fraud, we have created Cooperative Disability Investigative (CDI) units in five major cities. These units use the combined skills and knowledge of OIG Special Agents, State law enforcement authorities, and SSA professionals to identify and resolve disability fraud reported by front-line SSA employees at the application stage. These ongoing projects have illustrated the need to sanction third-party facilitators who engage in fraudulent activities as many of the allegations to date involve third-party facilitators, such as physicians, lawyers, interpreters, and other service providers.

Before I close, I would like to emphasize two key issues that the Subcommittee should consider. These issues involve the administrative sanctions provisions.

First, we believe administrative sanctions should apply to all Social Security and SSI benefits, as opposed to strictly disability benefits. Second, in light of the severity of the penalties imposed, the violations should be supported by the investigative process. This will provide SSA with a body of evidence to present at any subsequent administrative proceedings.

We would be happy to assist the Subcommittee in addressing these issues before the Chairman's mark-up to clarify these points. We want to ensure that this legislation strengthens the Subcommittee's fight against fraud, waste, and abuse and provides both SSA and the OIG with the best possible means for fighting fraud in the SSI program.

Although our work has been successful in combating SSI fraud, there is still more work to do. We are committed to continuing our audit and investigative work at a national level to help SSA in its fight against fraud.

I would like to thank the Subcommittee for its continued interest in combating fraud and for its support of the OIG. With this Subcommittee's support and with the passage of the Subcommittee's Bill, I believe SSA and the OIG can strike even harder at SSI-related fraud.